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DRAFT

21 September 1951

Not Sent

Dear Mr. Farley:

This will confirm my telephone conversation with you yesterday explaining the CIA position with respect to the Draft Determination on the Western European Members of NATO forwarded with your memorandum of September 18.

The question at issue is whether the language of this draft properly reflects the agreed reasons for the Council's action in exempting the NATO countries from the provisions of Section 1302. Insofar as the draft implies that the exception is being made because termination of aid or the threat of such termination would not in fact reduce East-West trade, and might weaken the political solidarity of the West, we heartily concur.

Insofar, however, as it implies either that the presently existing trade is of little or no strategic significance to the Soviet orbit, or that the ^{gradual} cessation of such trade would, in spite of any action we could take, have a serious disruptive effect on the Western European economies it does not correctly reflect our best intelligence judgement.

These are matters on which there exist differences of opinion among informed observers. Since the case for the Council's action need not rest on these disputed implications, we feel it would be wiser for the draft to avoid them.

More specifically, there are three passages in which it is implied that the Soviet bloc derives minor or "secondary" strategic advantage from imports of items either not on International List I or not on U.S. List IA, such as rubber, ball bearings, sulfur, tin, lead, machine tools, etc.

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We propose that these three passages be modified as follows:

Paragraph 9, page 7. Beginning with the fourth line, "Over two-thirds of the goods exported....," delete the remainder of the paragraph.

Paragraph 18, page 11. Delete the first two words, "The most," so that the sentence reads: "Frequent instances of shipments of strategic goods..."

Paragraph 19, page 12. In lieu of the first sentence, insert the following: "The goods of strategic importance still moving from West to East are largely exported to buy essential goods from the East."

Paragraph 20, page 12. Delete the entire paragraph. Under no circumstances should this paragraph be included in either a classified or unclassified document.

We feel that the whole of paragraph 20 on pages 12 and 13 carries the implications to which we object. We would prefer to see this paragraph omitted from the draft altogether. If it is felt desirable, however, to include some reference to the transitional difficulties which Western Europe would undoubtedly face in adjusting to a sudden cessation of imports from the East for which no preparations had been made, we would be agreeable to some such language as the following:


20. A careful plan gradually to reorient trade so as to supply Western Europe from other sources with essential commodities now received from the Soviet bloc would probably be carried out in time without seriously weakening the European economies, though additional dollar exchange would have to be made available. The immediate

cessation of imports from Eastern Europe before provision has been made for supplies financing and shipping from alternative sources would, however, have a disruptive impact on the ability of the NATO countries to support the needed defense program. Accordingly, it is in the interest of the security of the free world not to interrupt the present reduced level of trade between Western and Eastern Europe until arrangements for an orderly transition to a new trade pattern have been made.

Mr. Daller concurs in the above views.

Sincerely yours,

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